

Health Insurance Fact Sheet

Health plans assume the financial risk of their member's medical care. The City's health plan is self-funded. Most employees pay 20% of the health plan premiums. The City pays the remaining 80%. The City offers two plans: 1) a **Premium Plan**, which is a traditional health care plan; and 2) a **Select Plan**, which offers lower premiums in lieu of higher deductibles and higher co-pays. Both plans have two tiers, a family plan and a singles plan.

Important Facts:

- 4% of the City's health care costs are for administrative expenses to access Coventry and Express Scripts provider networks, service discounts and administrative services
- Less than 1% is paid for insurance stop-loss protection
- Less than 1% is paid for wellness programs/activities
- 2% is paid for vision services
- **92% of all related costs is paid for medical services and prescriptions**

For Plan Year 2011, employees and the City, together, paid in excess of **\$32 million** for medical services and prescriptions. This was an **increase of more than 15%** from the previous year. Rate analysis for 2012 estimates total benefit usage to increase by another 15%, or \$38 million in Plan costs and expenses.

Health insurance premiums result from a combination of many factors – medical prices, utilization (how much health care services – including pharmaceuticals – plan participants use), the type and nature of services provided, geography, demographics, plan design (the benefits covered, amount of deductibles and co-pays, etc.), administration, and government regulations. **The recommended 15% increase for Plan Year 2012 is directly related to member benefit utilization.**

The table below shows the 2011 rates, the needed rates for 2012, and the difference.

<u>2011 Projected Rates</u>			<u>2012 Projected Rates</u>			<u>Difference - 2012 vs. 2011</u>			
Total funding -TOTAL			Total funding -TOTAL			% Change		\$ Change	
	Single	Family		Single	Family	Single	Family	Single	Family
Premium Plan	412.58	1,234.26	Premium Plan	476.56	1,426.11	15.5%	15.5%	63.98	191.85
Select	340.34	1,017.53	Select	392.87	1,175.01	15.4%	15.5%	52.53	157.48
EE Premium - TOTAL			EE Premium - TOTAL			Single	Family	Single	Family
Premium Plan	82.53	246.87	Premium Plan	95.33	285.24	15.5%	15.5%	12.80	38.37
Select	26.02	77.34	Select	29.86	88.83	14.8%	14.9%	3.84	11.49
City Premium - TOTAL			City Premium - TOTAL			Single	Family	Single	Family
Premium Plan	330.05	987.39	Premium Plan	381.23	1,140.87	15.5%	15.5%	51.18	153.48
Select	314.32	940.19	Select	363.01	1,086.18	15.5%	15.5%	48.69	145.99

While the Health Care Plan exists for employees to use it and to have access to medical services, there are choices involved in that access that may unnecessarily raise the costs for everyone. For example:

- Receiving medical services from providers who are not part of the Coventry network (called “out of network” services) account for \$2.9 million of claims. Or to put it another way, 28% of the number of claims were out of network. Because the Coventry network negotiates deep discounts for services, going out of network results in higher costs for those services, which everyone must share in paying.
- The plan’s cost for pharmaceutical medicine increased by 18.5% from 2010 to 2011. As the average age of plan membership increases, it is natural that there will be a greater exposure to medicine expenses; however, there are strategies to mitigate that exposure. Generic drugs often offer the same result as more expensive name brand drugs, but at much lower cost. Analysts comparing the City’s experience to other health care plans across the nation suggest the City’s Generic Fill Rate (GFR) could increase by as much as 10%. Each one percent can save as much as \$100,000. And greater use of Home Delivery (mail order) pharmaceuticals can lower costs significantly also.
- Emergency room visits increased 3% in 2011, resulting in additional costs of \$118,000.
- The best strategy, by far, is to simply work on improving the overall health of plan participants. The old adage: *“An ounce of prevention is worth a pound of cure”* is still vitally true. Following are the top seven claims for plan participants:
 - Asthma
 - Chronic Obstructive Pulmonary Disease
 - Chronic Kidney Disease
 - Congestive Heart Failure
 - Coronary Artery Disease
 - Diabetes
 - Low Back Pain

Almost \$7 million of the plan’s expenditures in 2011 related to circulatory system and musculoskeletal/connective tissue issues. These can be dramatically reduced through reducing the incidence of obesity and having more participants engage in a simple exercise regimen. **A healthier workforce is essential to controlling health care costs.**

The City’s health plan is at a cross-road. The health plan directly mirrors the group it represents. Participants must collectively take charge of their personal health. Without change to more healthy lifestyles, the medical insurance program is not sustainable and the quality of life we all desire will be more elusive.